

# Hospital Quarterly Data Trends

Vol. 1, No. 3



March 1998

## Preface

Financial and utilization data are submitted on a quarterly basis by California hospitals to the Office of Statewide Health Planning and Development (Office). This publication summarizes data for the four quarters ending September 30, 1997. For more detailed quarterly financial and utilization data, refer to the Quarterly Hospital Financial Data publications. Comments and suggestions for improvement of this publication are encouraged and can be directed to the Data Users Support Group.

## Summary

Comparing the four quarters ending September 30, 1997 with the four quarters ending September 30, 1996 ("prior period"), utilization and financial indicators for this period were consistent with two trends which have been occurring for some time: a shift in payers, from Medi-Cal to third party, and a movement from inpatient to outpatient services. For example, third party payers had an increase in patient days of 6.5%, an 8.0% increase in discharges, and a 12.0% increase in outpatient visits. At the same time, Medi-Cal patient days decreased by 5.8%, Medi-Cal discharges decreased by 8.0%, and Medi-Cal outpatient visits decreased by 7.6%. Total patient days were virtually unchanged from the prior period, and total discharges increased only 1.2%. Total outpatient visits increased by 1.05 million, a change of 2.7%.

Third party payers gross patient revenue showed the largest percentage increase for this period, at 14.6%, and at 22.6% had the largest percentage increase in deductions from revenue. By comparison, total gross patient revenue increased by 7.5%, and deductions from revenue increased by 11.2%.

Net patient revenue for third party payers showed an increase of 4.8%, while Medi-Cal net patient revenue decreased by 6.7%. Comparatively, total net patient revenue increased by 2.7%.

The shift from Medi-Cal to third party payers could be a result of Medi-Cal managed care data being reported as third party. The Office will be making changes to data reporting requirements to differentiate between third party payer and Medi-Cal managed care.

Other payers showed significant movement also, with a 12.5% decrease in deductions from revenue, and a 19.2% increase in net patient revenue.

Overall, net income from operations increased by 5.7%. Including non-operating revenue and expense, pre-tax net income increased 12.1% from the prior period.

## Utilization Indicators

### *Discharges & Patient Days*

Inpatient activity is primarily measured by discharges and inpatient days. The most significant changes noted during this period are other third party payers, which had an increase in patient days of 6.5%, an 8.0% increase in discharges, and a 12.0% increase in outpatient visits. At the same time, Medi-Cal patient days decreased by 5.8%, Medi-Cal discharges decreased by 8.0%, and Medi-Cal outpatient visits decreased by 7.6%.

### *Length of Stay*

Average length of stay (ALOS), the average time an inpatient stays in the hospital, remained at 5.6 days for this period, the same as the prior period. Other third party payers consistently had the lowest ALOS,

with 4.2 days. Managed care, part of other third party payers, may be contributing to a lower statewide ALOS.

## **Financial Indicators**

### ***Total Gross Patient Revenue & Deductions from Revenue***

Third party payers gross patient revenue increased by \$3.59 billion, from \$24.6 billion to \$28.2 billion, a 14.6% increase. This was the largest percentage increase for this category. Total gross patient revenue for this period for both inpatient and outpatient services reached \$68.8 billion, up from \$64.0 billion for the prior period, an increase of 7.5%. Total charges are reported as gross patient revenue.

Deductions from revenue represent the difference between the amount charged for patient services and the amount received by the hospital. For example, a hospital may bill a payer \$5,000 for services, but is paid only \$3,000, the contracted amount for those services. The \$2,000 difference is a deduction from revenue. For this period, deductions from revenue totaled \$40.1 billion, an increase of 11.2% over the prior period.

The largest component of deductions from revenue was other third party payers contractual adjustments, at \$16.6 billion, an increase of 22.6% over the prior period. Medicare and Medi-Cal deductions from revenue were \$12.5 billion and \$9.2 billion, respectively, representing an 8.7% increase for Medicare, and a 2.0% increase for Medi-Cal.

### ***Net Patient Revenue***

The amount of charges actually received by hospitals is the net patient revenue. During the four quarters ending September 30, 1997, net patient revenue increased by 2.7% or \$753.8 million, from \$27.9 billion to \$28.7 billion.

Net patient revenue from third party payers increased by \$533 million, from \$11.1 billion to \$11.6 billion, a 4.8% increase.

The largest percentage change of net patient revenue was from other payers, which

had an increase of 19.2% for this period, from \$1.63 billion to \$1.95 billion. Other payers includes mostly self-pay and charity patients.

During this period, disproportionate share payments increased by \$131.1 million, or 9.2%, contributing to the increase in net patient revenue. Disproportionate share is a system of government supplemental payments for hospitals serving a greater proportion of Medi-Cal and charity/indigent patients. County, district, and UC hospitals make payments to the state, which are matched by federal funds, and the funds are then paid to qualifying hospitals. The overall amount of charity care decreased slightly during this period. County indigent net patient revenue decreased by 3.8%, from \$450.5 million to \$433.2 million.

### ***Operating Expenses***

During this period, operating expenses increased by 2.9%, from \$28.3 billion to \$29.2 billion, which nearly paralleled the California inflation rate of 2.0% for this quarter (as calculated by the California Department of Finance). Meanwhile, the number of outpatient visits increased by 2.7%, from 38.4 million to 39.4 million and inpatient days decreased by 0.2%, from 16.2 million to 16.1 million.

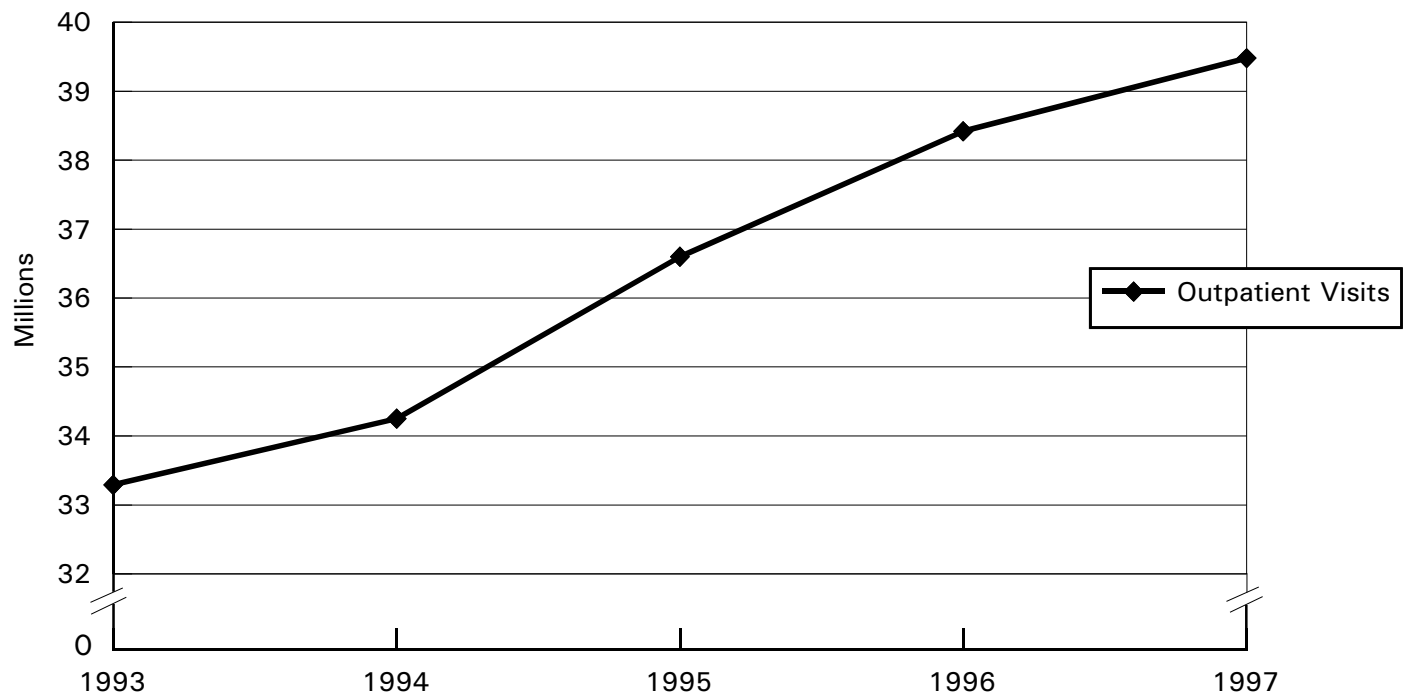
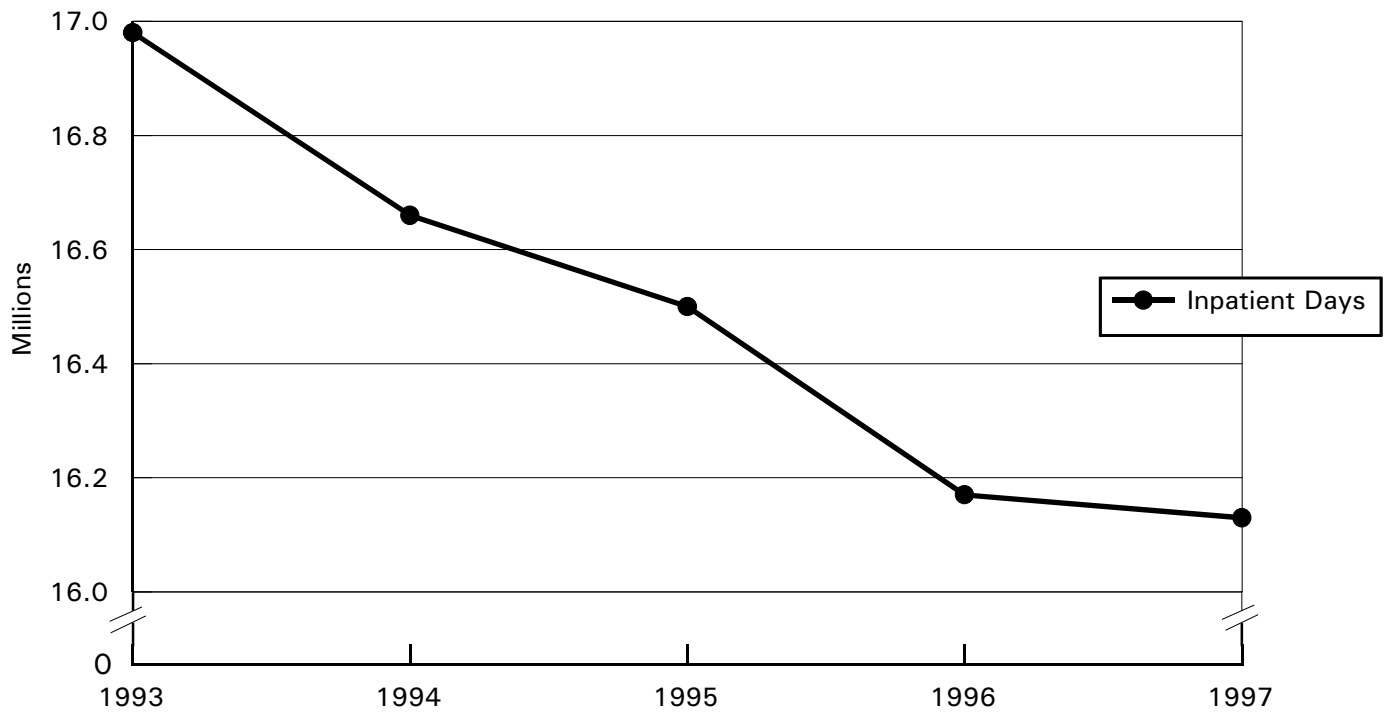
### ***Net Income from Operations***

Net income from operations increased by \$31.7 million, from \$553.6 million to \$585.3 million, an increase of 5.7%. Total operating revenue increased by a greater amount than operating expenses (\$1.62 billion compared to \$830 million, respectively). Pre-tax net income increased by 12.1%.

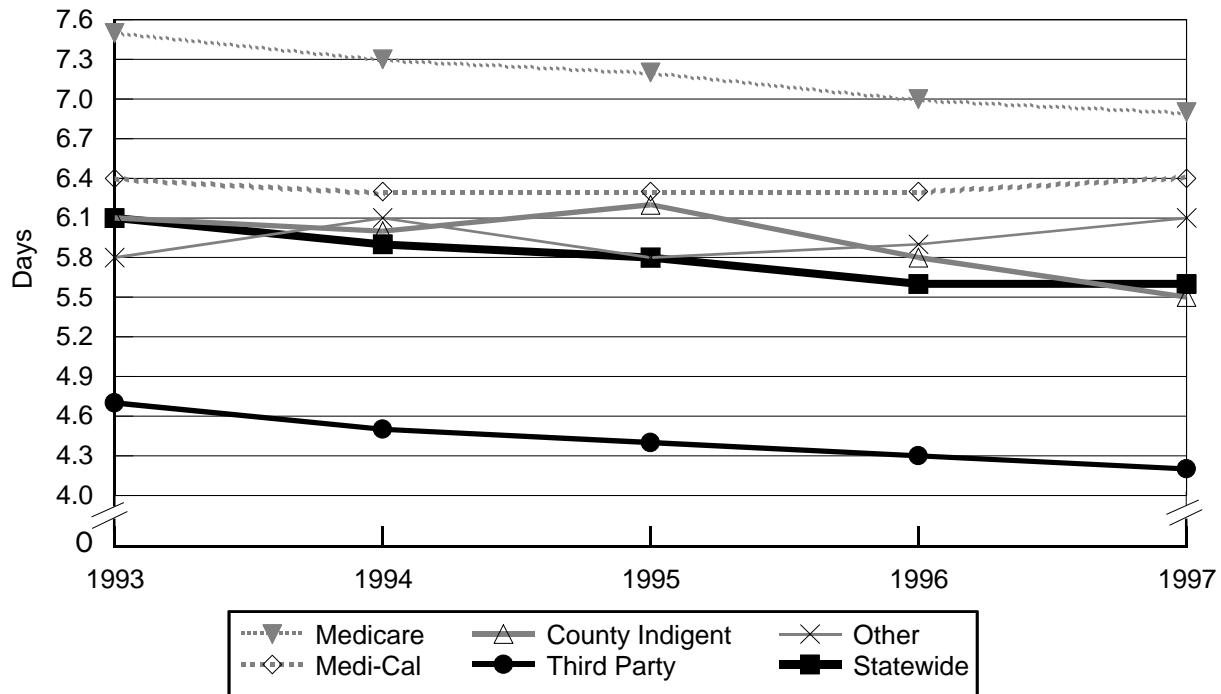
### ***Net Patient Revenue per Day and Per Visit***

Net inpatient revenue per day increased by 2.6%, from \$1,294 to \$1,328. The change in net inpatient revenue per day reflects the increase by 2.7% of total net patient revenue. Net outpatient revenue per visit increased by \$2 per visit, to \$184.

**Changes in Utilization Patterns**  
*For the four quarters ending in September of the year noted*



**Average Length of Stay by Payer**  
*For the four quarters ending in September of the year noted*



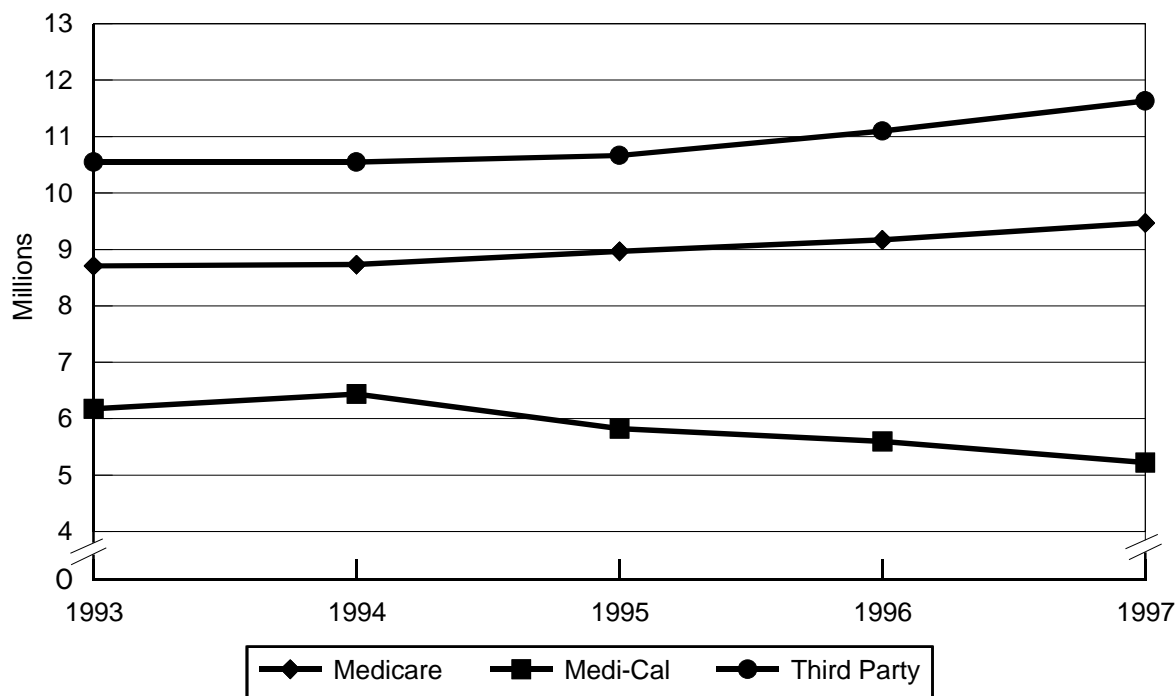
**Utilization by Payer**

	9/30/96	9/30/97	Change	Percent change
<b>Patient Days by Payer *</b>				
Medicare	5,730,615	5,643,355	-87,260	-1.52
Medi-Cal	4,292,999	4,045,155	-247,844	-5.77
County Indigent	582,948	561,986	-20,962	-3.60
Third Party	4,807,665	5,120,119	312,454	6.50
Other	755,556	763,904	8,348	1.10
Total Patient Days	16,169,783	16,134,519	-35,264	-0.22
<b>Discharges by Payer</b>				
Medicare	816,759	818,385	1,626	0.20
Medi-Cal	685,740	630,979	-54,761	-7.99
County Indigent	100,950	101,288	338	0.33
Third Party	1,130,954	1,221,412	90,458	8.00
Other	128,566	125,987	-2,579	-2.01
Total Discharges	2,862,969	2,898,051	35,082	1.23
<b>Outpatient Visits by Payer</b>				
Medicare	10,202,445	10,136,389	-66,056	-0.65
Medi-Cal	7,630,726	7,050,955	-579,771	-7.60
County Indigent	2,045,253	2,088,897	43,644	2.13
Third Party	14,872,041	16,658,333	1,786,292	12.01
Other	3,674,319	3,541,759	-132,560	-3.61
Total Outpatient Visits	38,424,784	39,476,333	1,051,549	2.74

\*excludes Nursery Days

### Changes in Net Patient Revenue by Payer

*For the four quarters ending in September of the year noted*



### Payer Categories

**Medicare** - a program administered by the Social Security Administration for persons 65 and older, and qualified persons under 65. Does not include Medicare managed care contracts.

**Medi-Cal** - a State operated and administered Medicaid program for low-income people. Does not include Medi-Cal managed care contracts.

**County Indigent** - a program for indigent patients covered under Welfare and Institutions Code Section 17000, Realignment Funds, the County Medical Services Program, California Healthcare for Indigents

Program, specified tobacco tax funds, and other funding sources.

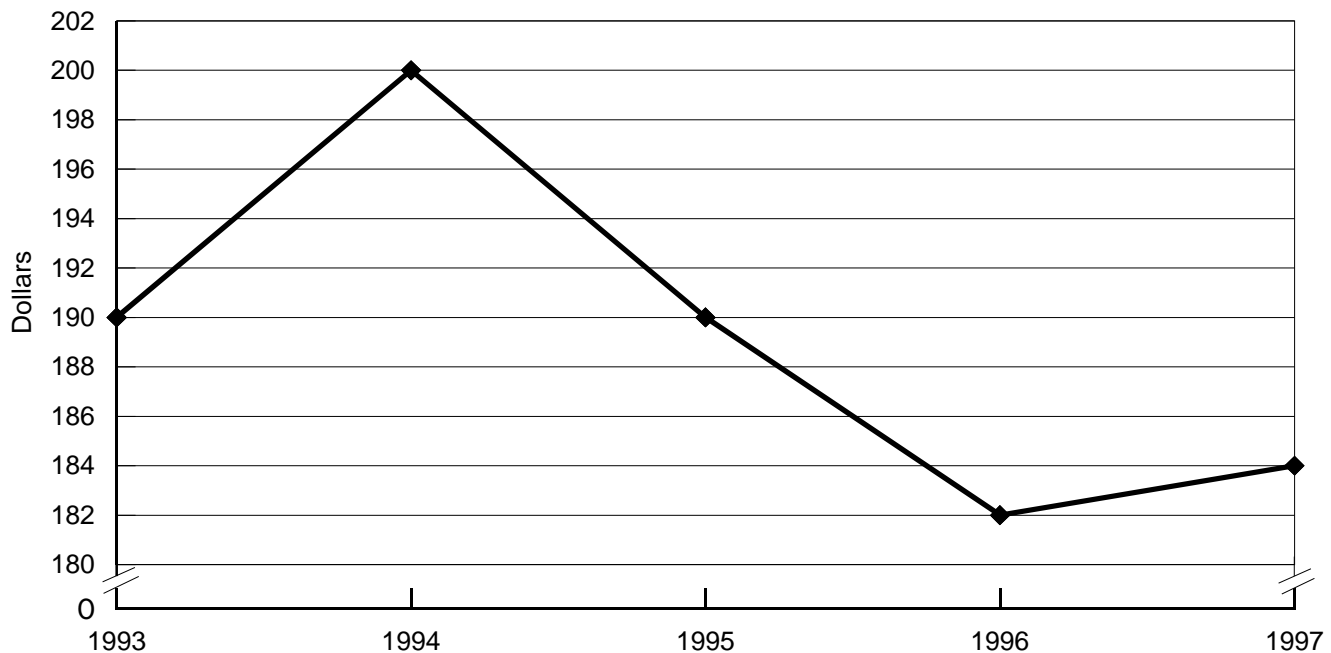
**Third Party Payers** - a variety of third-party contractual purchasers of health care and indemnity plans, including HMOs, PPOs, Short-Doyle, CHAMPUS, IRCA/SLIAG, California Children's Services, other commercial insurance, Blue Cross and Blue Shield, and Worker's Compensation. Also includes managed care contracts for Medicare or Medi-Cal patients.

**Other Payers** - represents all patients not sponsored by any form of health care coverage, including self-pay and charity.

**Net Inpatient Revenue per Day**  
*For the four quarters ending in September of the year noted*



**Net Outpatient Revenue per Visit**  
*For the four quarters ending in September of the year noted*



## Financial and Utilization Indicators

### Four Quarters Ending

	9/30/96	9/30/97	Change	Percent change
<b>Gross Patient Revenue</b>				
Inpatient	\$47,920,898,888	\$51,322,119,771	\$3,401,220,883	7.10
Outpatient	<u>\$16,059,640,620</u>	<u>\$17,445,067,320</u>	<u>\$1,385,426,700</u>	8.63
Total Gross Patient Revenue	\$63,980,539,508	\$68,767,187,091	\$4,786,647,583	7.48
Medicare	\$20,637,728,638	\$21,931,343,138	\$1,293,614,500	6.27
Medi-Cal	\$13,158,565,203	\$12,834,950,166	-\$323,615,037	-2.46
Third Party	\$24,640,632,829	\$28,231,697,059	\$3,591,064,230	14.57
<b>Deductions from Revenue</b>				
Medicare Contractual Adjustments	\$11,467,214,324	\$12,460,997,876	\$993,783,552	8.67
Medi-Cal Contractual Adjustments	\$8,983,625,966	\$9,166,930,989	\$183,305,023	2.04
Third Party Contractual Adjustments	\$13,543,585,025	\$16,601,051,459	\$3,057,466,434	22.58
Other Payer Contractual Adjustments	\$1,363,258,204	\$1,193,448,458	-\$169,809,746	-12.46
Other Deductions	<u>\$676,122,184</u>	<u>\$644,253,058</u>	<u>-\$31,869,126</u>	-9.89
Total Deductions from Revenue	\$36,033,805,703	\$40,066,681,840	\$4,032,876,137	11.19
<b>Net Patient Revenue</b>				
Medicare	\$9,170,514,314	\$9,470,345,262	\$299,830,948	3.27
Medi-Cal	\$5,596,329,597	\$5,220,551,312	-\$375,778,285	-6.71
Third Party	\$11,097,047,804	\$11,630,645,600	\$533,597,796	4.81
County Indigent	\$450,465,387	\$433,201,733	-\$17,263,654	-3.83
Other Payers	\$1,632,376,703	\$1,945,761,344	\$313,384,641	19.20
Total Net Patient Revenue	\$27,946,733,805	\$28,700,505,251	\$753,771,446	2.70
Other Operating Revenue	<u>\$955,203,689</u>	<u>\$1,063,288,693</u>	<u>\$108,085,004</u>	11.32
Total Operating Revenue	\$28,901,937,494	\$29,763,793,944	\$1,615,627,896	2.98
Operating Expenses	\$28,348,326,201	\$29,178,453,149	\$830,126,948	2.93
Disproportionate Share Payments	-\$1,421,390,360	-\$1,552,532,135	-\$131,141,775	9.23
Net from Operations	\$553,611,293	\$585,340,795	\$31,729,502	5.73
Pre-tax Net Income (Loss)	\$1,759,126,782	\$1,971,755,678	\$212,628,896	12.09
Net Inpatient Revenue per Day	\$1,294	\$1,328	\$34	2.63
Net Outpatient Revenue per Visit	\$182	\$184	\$2	1.10
<b>Utilization Indicators</b>				
Discharges	2,862,969	2,898,051	35,082	1.23
Outpatient Visits	38,424,784	39,476,333	1,051,549	2.74
Inpatient Days	16,169,783	16,134,519	-35,264	-0.22
Length of Stay	5.65	5.57	-0.08	-1.43

Source: Office of Statewide Health Planning & Development, March 1998, based on 494 comparable hospitals out of 556 total hospitals. Noncomparable hospitals include Prepaid Health Plan Hospitals, State Hospitals, Psychiatric Health Facilities, Long-term Care Emphasis Hospitals, and Other.

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